



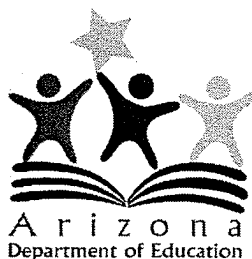
Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
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Average Daily Membership Audit Report PPEP TEC – Celestino Fernandez Learning Center Fiscal Years 2008, 2009 and 2010

Report Number—11-4

September 21, 2011



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The Audit Unit
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John Huppenthal
Superintendent of
Public Instruction

September 21, 2011

Randy Kempton, Superintendent
Portable Practical Educational Preparation, Inc.
1840 E Benson Hwy
Tucson, AZ 85714

Dear Superintendent Kempton:

The Arizona Department of Education Audit Unit has conducted an audit of the PPEP TEC – Celestino Fernandez Learning Center's Average Daily Membership for Fiscal Years 2008, 2009 and 2010. The purpose of the audit was to address whether the School properly reported student enrollment and attendance, offered students sufficient statutorily-mandated instructional hours and to determine if it received the correct amount of Basic State Aid.

The audit found that the School did not provide sufficient instructional hours per statute, did not correctly report enrollment and withdrawal dates and did not have teachers take attendance as required by statute. As a result of these practices, the School was overfunded \$102,099.64 in Basic State Aid.

The audit becomes final 30 days after issuance, unless the School files an appeal. Appendix A in the report provides rules governing the appeal process.

We appreciate the cooperation and assistance provided by the School's administration and staff during the course of the audit.

Sincerely,

Arthur E. Heikkila
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) has conducted an Average Daily Membership (ADM) audit of PPEP TEC – Celestino Fernandez Learning Center (the School), an entity under the Portable Practical Educational Preparation, Inc. (PPEP) charter, pursuant to the provisions of A.R.S. §§ 15-183 (E) (6) and 15-239. This audit focused on whether the School accurately reported enrollment and attendance data to ADE and whether sufficient instructional hours were provided for FY2008, FY2009 and FY2010.

Average Daily Membership audit conducted—ADM audits help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. Schools receive Basic State Aid based on several factors related to student attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE’s Student Accountability Information System (SAIS). ADE then processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

Audit and appeal processes—The ADM audit process determines whether payments were correct or if an adjustment is needed pursuant to A.R.S. § 15-915, and provides for an appeal process if the school district or charter school disagrees with the audit findings. ADM audits compare the school district’s or charter school’s information reported to SAIS to information found on the original records kept at the school. If the audit finds that the school district’s or charter school’s reported information does not match the original documentation, the audit will identify and report the funding adjustment needed to Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings.

The audit is an appealable action. A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the audit findings the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school and ADE may reach agreement in an informal settlement conference. If not, the appeal will be adjudicated by the Office of Administrative Hearings. When the audit is finally settled or adjudicated, if ADE has determined that a school district or charter school received excess Basic State Aid, A.R.S. § 15-915 directs that corrections to schools’ funding be made in the current budget year. In case of hardship, schools may request that the Superintendent of Public Instruction allow a correction to be made partly in the current budget year and partly in the following budget year.

School financial and other information—The School, which is one of 11 sites under the PPEP charter, is located in Tucson, Arizona and offers education for students in grades 9 through 12. Student enrollment for the School was 628, 536 and 535 for FY2008, FY2009 and FY2010, respectively.

SCOPE AND METHODOLOGY

The audit focused on whether the School accurately reported enrollment and attendance data to ADE, provided sufficient instructional hours to students and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Reporting (USFR) and its own policies and procedures. The audit reviewed FY2008, FY2009 and FY2010.

To conduct this audit, auditors used a variety of methods, including examining School and SAIS records for enrollment and attendance. Auditors also reviewed state statutes and School policies and procedures, and interviewed School management and staff.

Additionally, auditors performed specific tasks for the following areas:

- **Instructional Hours Requirement**—To determine whether the School met the statutory instructional hours requirement for each grade, auditors obtained academic calendars and bell schedules for FY2008, FY2009 and FY2010. In addition, auditors interviewed School personnel to determine the schedules for the years audited. Auditors then compared the School's academic calendars and bell schedules to the requirements mandated by statute.
- **Enrollment and Withdrawal**—To determine whether the School received the correct amount of Basic State Aid from ADE, auditors compared the attendance and enrollment information in the School's computerized data system to what was in SAIS for each student. Additionally, auditors looked at the original attendance documentation for a judgmentally selected sample of 91 students to determine if the enrollment and withdrawal dates reported to ADE were correct.
- **Attendance**—To determine if the School was in compliance with attendance requirements, auditors reviewed the School's process for attendance. Auditors obtained a copy of the policies and procedures as well as interviewed staff to determine if the practices were in compliance with statute.

The Audit Unit expresses its appreciation to the Portable Practical Educational Preparation, Inc.'s administration and the PPEP TEC – Celestino Fernandez Learning Center's staff members for their cooperation and assistance throughout the audit.

FINDING 1: NIGHT SESSION STUDENTS NOT PROVIDED SUFFICIENT INSTRUCTIONAL HOURS

The School did not provide the statutorily-required minimum number of instructional hours to its night session students for any of the three fiscal years audited. As a result, the School was overpaid more than \$100,000 in Basic State Aid. Pursuant to A.R.S. § 15-915, ADE should recover these monies from the School. The School needs to ensure its bell schedules provide all of its students with at least the minimum number of statutorily-required instructional hours.

School Failed to Provide Night School Students With Sufficient Instructional Hours

Although all schools are required by statute to provide a minimum number of instructional hours to students, the School did not meet this requirement for the students who attended the night sessions. Specifically, A.R.S. § 15-901 requires public schools to provide at least 720 instructional hours for all high school students during the audited fiscal years. However, the School did not meet this statutory requirement for its night session students for FY2008, FY2009 and FY2010.

Auditors analyzed the School's bell schedules and calendars, compared them to the statutory requirements and found that the School failed to provide the minimum number of instructional hours to its night session students in each of the three fiscal years audited. Auditors found that the School offered students the option of attending a day session or a night session. The day sessions were five and a half hours long, and included a 30 minute break. This resulted in the day sessions providing at least the minimum number of instructional hours as required by statute. In contrast, the night sessions were only five hours long, and contained a scheduled 20 minute break during this period. However, pursuant to GE-18¹, break periods are not considered instructional time. Therefore, only four hours and forty minutes of the five hour night session block should have been considered instructional time.

As shown in Table 1 (see page 4), the School provided only 691 hours of the 720 required hours in FY2008, 681 hours in FY2009 and 686 hours in FY2010 for these night sessions.

¹ ADE Guideline GE-18 states "Instructional hours do not include periods of the day in which an instructional program or course of study is not being offered. If the period of the day is not included in the State Board of Education's approved minimum course of study, then that period of the day is not instructional time....Instructional time does not include: i. Lunch and recess".

Table 1

**PPEP TEC – Celestino Fernandez Learning Center
Instructional Hours Required, Provided
and Percentage Provided for Night Sessions
FY2008, FY2009 and FY2010**

Fiscal Year	Instructional Hours Provided	Instructional Hours Required	Percentage Provided
FY2008	691	720	95.93%
FY2009	681	720	94.63%
FY2010	686	720	95.28%

Source: Auditor analysis of the School's bell schedules and the A.R.S. § 15-901 minimum instructional hours requirements.

School Limited Educational Opportunities for Its Night Session Students

Since the School provided fewer instructional hours than required by statute for its students attending the night sessions, it inappropriately limited the amount of some of its students' education. Assuming that more time spent in the classroom results in a better education, some of the School's students received less educational opportunities because the School did not provide all of its students with the statutorily-required minimum number of instructional hours.

The School was Overpaid \$100,339.96 in Basic State Aid

As a result of providing insufficient instructional hours for students attending the night session during each of the fiscal years audited, the School's ADM was overstated, resulting in the School being overpaid Basic State Aid by \$100,339.96.² As shown in Table 2 (see page 5), for the three fiscal years audited, the School's insufficient instructional hours resulted in ADM being overstated by a total of 17.01, requiring the School's Basic State Aid to be reduced by \$100,339.96.

² ADE Guideline GE-18 provides directions for determining the ADM adjustment based on insufficient instructional hours. According to the Guideline, "If school districts or charter holders are not in compliance with the requirements for annual classroom instruction hours pursuant to A.R.S. §§15-901(A)(2)(a), (b) and (c), then annual equalization funding will be prorated accordingly. Example: A school with deficient annual hours will have their reported membership decreased based on the actual amount of instruction hours provided compared to the required annual hours. For instance, a school that provides 90 percent of the required hours will have the reported membership days reduced by 10 percent, thus ADM will be reduced by 10 percent. Annual equalization will be based on this revised ADM."

Table 2

**PPEP TEC – Celestino Fernandez Learning Center
ADM Overstatement and Funding Adjustment Due to
Insufficient Instructional Hours for Students Attending the Night Sessions
FY2008, FY2009 and FY2010**

	FY2008	FY2009	FY2010	Total
Reported ADM	105.66	133.43	117.50	356.59
Percentage Provided	95.93%	94.63%	95.28%	-
Audited ADM	101.36	126.27	111.95	339.58
ADM Overstated	4.30	7.16	5.55	17.01
Funding Adjustment	\$24,838.25	\$42,238.96	\$33,262.75	\$100,339.96

Source: Auditor analysis of SAIS and School student data for FY2008, FY2009 and FY2010.

Recommendations:

1. ADE needs to recoup \$100,339.96 in overpaid Basic State Aid from the School.
2. The School should ensure that it provides all students with at least the statutorily-required minimum number of instructional hours.

FINDING 2: THE SCHOOL DID NOT ACCURATELY REPORT SOME ENROLLMENT AND WITHDRAWAL DATES TO ADE

The School did not accurately report some student enrollment and withdrawal dates to ADE for the three fiscal years audited. Specifically, auditors found that the School misreported enrollment and withdrawal dates for 40 students. As a result, the School's ADM was over reported by a total of 0.30 for FY2008, FY2009 and FY2010. Due to the inaccurate enrollment and withdrawal dates reported to ADE, the School received an overpayment of Basic State Aid of \$1,759.68 for the three fiscal years audited.

Student Enrollment and Withdrawal Data Errors Identified

The School inaccurately reported some students' enrollment or withdrawal dates to the ADE due to several factors. According to A.R.S. § 15-901, the withdrawal date for students is the last day of actual attendance. Additionally, ADE Guideline GE-17³ states that, with the exception of pre-enrolled students, the enrollment date for a student is the first day of actual attendance.

However, since the School did not always adhere to these requirements, it did not report the correct enrollment or withdrawal dates to ADE for several students. This resulted in a net overstatement of the School's ADM. Specifically:

- 31 students had a withdrawal date reported that was a day after the last day of attendance. Attendance records indicated that the last day of actual attendance for these students was on a Thursday. However, the School reported Friday as the withdrawal date. Statute requires schools to report the withdrawal date as the actual last day of attendance, which resulted in the School's ADM being overstated by 0.31.
- 3 students did not have any attendance documentation that indicated they ever attended the School, which resulted in the School's ADM being overstated by 0.06.
- 6 students had a withdrawal date reported to ADE that was before the student actually withdrew. Attendance records indicated that these students were still attending the school beyond this date, which resulted in the School's ADM being understated by 0.07.

³ ADE Guideline GE-17 states: "For the purposes of determining Average Daily Membership (ADM) for a given school year at a given public school pursuant to ARS § 15-901 (A)(2), the first day of membership for continuing or pre-enrolled students, shall be defined as either the first day a student physically attends school or the first day that classroom instruction is offered, provided that such students physically attend school within the first ten school days. For all other students, the first day of membership shall be defined as the first day a student physically attends school."

As shown in Table 3, enrollment and withdrawal errors resulted in a net ADM overstatement of 0.30 for the three fiscal years audited.

Table 3

**PPEP TEC – Celestino Fernandez Learning Center
ADM Adjustments Due to Enrollment and Withdrawal Errors
FY2008, FY2009 and FY2010**

Enrollment and Withdrawal Error	FY2008 ADM Adjustment	FY2009 ADM Adjustment	FY2010 ADM Adjustment	Total ADM Adjustment
Reported withdrawal after last day of attendance	0.15	0.13	0.03	0.31
No attendance documentation	0.02	0.01	0.03	0.06
Reported withdrawal before last day of attendance	(0.06)	0.00	(0.01)	(0.07)
Total	<u>0.11</u>	<u>0.14</u>	<u>0.05</u>	<u>0.30</u>

Source: Auditor analysis of School records and SAIS data for FY2008, FY2009 and FY2010.

The School Was Overpaid \$1,759.68 For The Three Fiscal Years Audited

Auditors determined that the School did not receive the correct amount of Basic State Aid due to the inaccurate enrollment and withdrawal dates reported to ADE for the three fiscal years audited. The net overall ADM reported by the School was overstated by 0.11, 0.14 and 0.05 for FY2008, FY2009 and FY2010, respectively. This resulted in the Basic State Aid being overfunded by \$1,759.68. Table 4 shows the ADM and funding adjustments required for the School for FY2008, FY2009 and FY2010.

Table 4

**PPEP TEC – Celestino Fernandez Learning Center
ADM and Funding Adjustments Due to
Enrollment and Withdrawal Errors
FY2008, FY2009 and FY2010**

Enrollment and Withdrawal Errors	ADM Adjustment	Funding Adjustment
2008	0.11	\$634.71
2009	0.14	\$825.23
2010	0.05	\$299.74
Total	<u>0.30</u>	<u>\$1,759.68</u>

Source: Auditor analysis of School records and SAIS data for FY2008, FY2009 and FY2010.

Recommendations:

1. ADE needs to recoup \$1,759.68 for incorrectly reported enrollment and withdrawal dates.
2. The School should comply with A.R.S. § 15-901 and GE-17 to ensure enrollment and withdrawal dates are reported accurately.

FINDING 3: ATTENDANCE WAS NOT TAKEN BY TEACHERS AS REQUIRED BY STATUTE

Although it was required to do so, the School did not ensure that its teachers took student attendance for the fiscal years audited. According to A.R.S. § 15-521, one of the duties of teachers is to “take and maintain daily classroom attendance.” Additionally, ADE External Guideline EX-18 states “For students in high school grades (9-12) attendance shall be taken for each period.” However, School policies only required students to check in when they arrived at school and check out at the end of the day with the front office staff. School policies only required the office staff to maintain these records, and teachers were not required to take their own classroom attendance.

Because teachers did not take any attendance in their classrooms, auditors could not verify that students were attending the classes they were enrolled in during the day as required by EX-18. While the School has corrected this for FY2011 by requiring teachers to take attendance in the classrooms, during the years audited, no teachers took attendance in the classrooms. The School should ensure that teachers continue to take classroom attendance in the future.

Recommendation:

1. The School should comply with A.R.S. § 15-521 and ensure that its teachers take attendance appropriately.

ADM FUNDING ADJUSTMENTS

This audit identified an overall funding reduction of \$102,099.64 for the three fiscal years audited:

- \$100,339.96 for insufficient instructional hours; and
- \$1,759.68 for enrollment and withdrawal errors.

Additionally, statutes and rules provide for a formal appeal process through the Office of Administrative Hearings if the School disagrees with the audit results. The School has thirty (30) days from the issuance of the audit report to request an appeal. Appendix A (see page a-i) presents rules that govern the appeal process.

Table 5 lists the ADM adjustments and associated Basic State Aid adjustments for the School for FY2008, FY2009 and FY2010.

Table 5

**PPEP TEC – Celestino Fernandez Learning Center
ADM and Funding Adjustments Required for
FY2008, FY2009 and FY2010**

	FY2008		FY2009		FY2010		Total Adjustment
	ADM	Funding	ADM	Funding	ADM	Funding	
Instructional Hours	4.30	\$24,838.25	7.17	\$42,238.96	5.55	\$33,262.75	\$100,339.96
Enrollment and Withdrawal	0.11	\$634.71	0.14	\$825.23	0.05	\$299.74	\$1,759.68
Total	4.41	\$25,472.96	7.31	\$43,064.19	5.60	\$33,562.49	\$102,099.64

Source: Auditor analysis of SAIS and School student and financial data for FY2008, FY2009 and FY2010.

APPENDIX A

State Rules for Appealing Audits

The audit determination pursuant to A.R.S. § 15-915 is an agency action for which you can file an appeal. The audit report and cover letter, along with this information, serves as notice of your appeal rights under A.R.S. § 41-1092.04. Your right to a hearing and right to an informal settlement conference are described below in the Arizona Revised Statutes.

A.R.S. § 41-1092.03. Notice of appealable agency action or contested case; hearing; informal settlement conference; applicability

- A. Except as provided in subsection D of this section, an agency shall serve notice of an appealable agency action or contested case pursuant to section 41-1092.04. The notice shall:
 - a. Identify the statute or rule that is alleged to have been violated or on which the action is based.
 - b. Identify with reasonable particularity the nature of any alleged violation, including, if applicable, the conduct or activity constituting the violation.
 - c. Include a description of the party's right to request a hearing on the appealable agency action or contested case.
 - d. Include a description of the party's right to request an informal settlement conference pursuant to section 41-1092.06.
- B. A party may obtain a hearing on an appealable agency action or contested case by filing a notice of appeal or request for a hearing with the agency within thirty days after receiving the notice prescribed in subsection A of this section. The notice of appeal or request for a hearing may be filed by a party whose legal rights, duties or privileges were determined by the appealable agency action or contested case. A notice of appeal or request for a hearing also may be filed by a party who will be adversely affected by the appealable agency action or contested case and who exercised any right provided by law to comment on the action being appealed or contested, provided that the grounds for the notice of appeal or request for a hearing are limited to issues raised in that party's comments. The notice of appeal or request for a hearing shall identify the party, the party's address, the agency and the action being appealed or contested and shall contain a concise statement of the reasons for the appeal or request for a hearing. The agency shall notify the office of the appeal or request for a hearing and the office shall schedule an appeal or contested case hearing pursuant to section 41-1092.05, except as provided in section 41-1092.01, subsection F.
- C. If good cause is shown an agency head may accept an appeal or request for a hearing that is not filed in a timely manner.
- D. This section does not apply to a contested case if the agency:
 - a. Initiates the contested case hearing pursuant to law other than this chapter and not in response to a request by another party.
 - b. Is not required by law, other than this chapter, to provide an opportunity for an administrative hearing before taking action that determines the legal rights, duties or privileges of an applicant for a license.

A.R.S. § 41-1092.06. Appeals of agency actions; informal settlement conferences; applicability

- A. If requested by the appellant of an appealable agency action, the agency shall hold an informal settlement conference within fifteen days after receiving the request. A request for an informal settlement conference shall be in writing and shall be filed with the agency no later than twenty days before the hearing. If an informal settlement conference is requested, the agency shall notify the office of the request and the outcome of the conference, except as provided in section 41-1092.01, subsection F. The request for an informal settlement conference does not toll the sixty day period in which the administrative hearing is to be held pursuant to section 41-1092.05.
- B. If an informal settlement conference is held, a person with the authority to act on behalf of the agency must represent the agency at the conference. The agency representative shall notify the appellant in writing that statements, either written or oral, made by the appellant at the conference, including a written document, created or expressed solely for the purpose of settlement negotiations are inadmissible in any subsequent administrative hearing. The parties participating in the settlement conference shall waive their right to object to the participation of the agency representative in the final administrative decision.

APPENDIX B

BEFORE THE ARIZONA DEPARTMENT OF EDUCATION

In the matter of:

PORTABLE PRACTICAL
EDUCATIONAL PREPARATION, INC.

FINAL ADMINISTRATIVE ORDER

The Arizona Department of Education having determined that Portable Practical Educational Preparation, Inc. materially failed to comply with Arizona statutes to provide the minimum number of instructional hours to students in grades 9 through 12 and to accurately report enrollment and withdrawal data, and the Department of Education having disallowed the School's overstatement of its Average Daily Membership (ADM) in the 2008, 2009 and 2010 Fiscal Years.

IT IS ORDERED that Portable Practical Educational Preparation, Inc. immediately pay to the Arizona Department of Education the amount of \$102,099.64, as detailed in the audit for PPEP TEC – Celestino Fernandez Learning Center for Fiscal Years 2008, 2009 and 2010:

Failure to provide sufficient hours of instruction for students: \$100,339.96

Failure to accurately report enrollment and withdrawal dates: \$1,759.68

Done this 21st day of September, 2011.



John Huppenthal
Superintendent of Public Instruction
J. Elliott Hibbs
Chief Operating Officer
Arizona Department of Education

Copy of the foregoing Order
mailed this ____ day of September, 2011, with:

Portable Practical Educational Preparation, Inc.
1840 E Benson Hwy
Tucson, AZ 85714

By _____

